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SUBJECT: TRANSPARENCY AND ABYEI OIL ARE TOP AEC WEALTH SHARING
WORKING GROUP PRIORITIES FOR MID TERM EVALUATION

REF: KHARTOUM 258

¶1. (U) Summary: The Wealth Sharing Working Group (WSWG) coordinated by the US Embassy met March 5 to identify concerns to be addressed in the AEC's Mid Term Evaluation (MTE). The AEC Chairman must present the MTE to President Al-Bashir on or before July 8 according to a "Terms of Reference" document approved by the CPA parties. The Working Group enumerated its concerns in a draft skeleton outline prepared to guide the drafting process. End Summary

¶2. (U) The March 5 meeting was a follow-on to the WSWG meeting of February 17 (reported refTel). The earlier meeting was aborted due to the absence of an SPLM representative empowered to speak on behalf of the issues.

WSWG Agrees items to address in MTE

¶3. (U) Acting as Chairman of the WSWG, DCM Powers requested that the parties indicate those issues they deem to be the most important and most critical to be addressed in the MTE. Among the topics agreed for the MTE:

-- General Plan: The sides agreed to use as a basis for its report the matrix that WSWG contributed to the two-year Factual Report completed November 2007. The MTE should be in narrative form, and should be more analytical in nature, identifying shortcomings and solutions.

-- Accentuate the Positive: The NCP rep stressed that the report should not merely identify shortcomings, but also should acknowledge successes. The NCP rep pointed out that one of the purposes of the AEC is to make unity attractive by implementing the CPA, and he argued that this can best be done by highlighting successes.

-- Transparency in oil income distribution: This was the SPLM's most pressing concern. The SPLM is dissatisfied with the methodology for calculating and distributing income and suspects it is being chronically short-changed.

-- Role of the Fiscal and Financial Allocation and Monitoring Commission (FFAMC): The WSWG will invite the FFAMC Chairman to brief on developments since his last presentation to the working group in 2007. In particular, the NCP wishes to query whether the Government of Southern Sudan (GOSS) has cooperated in supplying requested information to the FFAMC. (Note: In his previous appearance, the FFAMC Chairman had criticized in particular the National Ministry of Finance for its lack of cooperation. End note.) The NCP insisted that the FFAMC should monitor not just distribution of revenues by the GNU to the GOSS, but by the GOSS to Southern state and local governments as well. The SPLM responded that the latter duty is the job of the Southern Sudan FFAMC (a body the NCP believes is not contemplated in the CPA).

-- Evaluation of work of other GNU bodies: These include the Finance Ministry, the National Petroleum Commission, and the Joint

Technical Commission. As appropriate, the WSWG will attempt to schedule visits to these bodies.

-- Evaluation of work of GOSS bodies: The NCP insists the GOSS should be evaluated as well. The SPLM did not object - its representative volunteered that the GOSS Ministry of Finance should be examined in particular.

-- Abyei Oil Revenues: As expected, this proved the most contentious issue of the WSWG meeting, and will likely feature prominently in the MTE, despite objections by the NCP. The NCP insisted that all aspects of Abyei be addressed within the Three Areas Working Group. Other parties (including the UK and Dutch representatives, who coordinate the Three Areas WG) argued that Abyei must be addressed by the WSWG since it cuts across working group boundaries. The UK representative, in particular, urged that the most prudent course would be to deposit Abyei's oil income into an escrow account awaiting a final resolution of the Abyei question. The NCP claimed the area's oil revenues are being distributed according to Abyei's current status as part of Southern Kordofan.

-- Consultations with Communities and Environmental Impact of Drilling Activities: The SPLM recalled that the Factual Report had noted that more needed to be done on consultations with communities affected by the oil industry. The UK representative argued that an expert consultant should be hired (a step that the AEC Chairman has asked all WG's to consider) to make both of these evaluations. Merely having the WSWG "parachute in for a visit" was inadequate, she said.

14. (U) The WG members approved a draft work plan for the next few months, concentrating on preparation of the MTE. As WG Coordinator, Embassy Khartoum will draft a "skeleton outline" incorporating the above concerns for discussion at the WSWG's next meeting on

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Wednesday, March 12.

15. (U) Comment: We were pleased with the collegial and constructive approach taken by the parties at the March 5 meeting. The issues of oil income distribution and transparency, not to mention income from the Abyei oil fields, will be contentious issues. Finalization of the MTE by July 9 is an ambitious undertaking. This is all the more so in view of the SPLM's limitations with respect to capacity. We expect that one of the most difficult problems in the weeks ahead will be ensuring SPLM representation. GNU Minister Kostis Manibe is often the SPLM's one-man show on AEC issues, but he is spread thin. In fact, we encountered some resistance getting him to commit to the March 5 meeting if none of his other colleagues was available. The Norwegian Government's offer to fund an SPLM cadre to devote full-time attention to AEC issues may help resolve this problem, but it is unclear when that step will be implemented, and will not substitute for active engagement by the SPLM. What is clear is that the SPLM needs to identify a capable deputy for Manibe, a point which we will make directly with the SPLM.

FERNANDEZ